

HOUSE BILL 359

By Winningham

AN ACT to enact the Tennessee Small Town Economic Development Act and to amend Tennessee Code Annotated, Title 67, Chapter 6, relative to distribution of sales and use tax receipts.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act shall be known and may be cited as the "Tennessee Small Town Economic Development Act".

SECTION 2. Tennessee Code Annotated, Section 67-6-103, is amended by adding the following language as a new, appropriately designated subsection:

( )

(1) Notwithstanding the allocation provided for in subsection (a), there shall be apportioned and distributed to any incorporated city or town whose population does not exceed four thousand (4,000) according to the 2000 federal census or any subsequent federal census, an amount equal to one-half cent ( $\frac{1}{2}\text{¢}$ ) of every six cents (6¢) of state sales and use tax collected on the retail sale of food and food ingredients for human consumption under § 67-6-228 and an amount equal to one-half cent ( $\frac{1}{2}\text{¢}$ ) of every seven cents (7¢) of state sales and use tax collected on the retail sale or use of any item on which the state sales and use tax is levied at the rate of seven percent (7%) of the sales or cost price. Such distribution shall only be made from tax collected on sales or use of items within the city or town. Such amount distributed to the city or town shall be used exclusively for economic development within the city or town.

(2) No amount shall be distributed under this subsection to a city or town, unless such city or town has made reasonable efforts to raise revenue locally. Reasonable efforts to raise revenue locally shall include, but not limited to,

levying all taxes that such city or town may levy and levying any tax that such city or town may levy at the maximum rate applicable to such city or town under state law. As used in this subdivision, "maximum rate applicable to a city or town under state law" means the maximum rate for a tax for which, by state law, a city or town may levy tax at a rate up to but not exceeding a maximum rate and by which the city or town may raise revenue for the city's or town's general fund purposes.

(3) Notwithstanding any provision of this subsection to the contrary, no portion of the revenue derived from the increase in the rate of sales and use tax allocated to educational purposes pursuant to Section 9, Chapter 529 of the Public Acts of 1992, and no portion of the revenue derived from the increase in the rate of sales and use tax from six percent (6%) to seven percent (7%) pursuant to Section 4, Chapter 856 of the Public Acts of 2002, shall be apportioned and distributed pursuant to this subsection. All such revenue shall continue to be allocated as provided in Chapter 529 of the Public Acts 1992 and Chapter 856 of the Public Acts of 2002.

SECTION 3. This act shall take effect at 12:05 a.m. on July 1, 2007, the public welfare requiring it.